

**MINUTES OF REGULAR MEETING - VIDEO**  
**OPEN SESSION**  
**August 9, 2011**  
**ILLINOIS GAMING BOARD**  
**CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Tuesday, August 9, 2011 a Regular Meeting - Video of the Illinois Gaming Board ("Board") was held on the 3<sup>rd</sup> floor at 160 N. LaSalle, Chicago, Illinois.

On Tuesday, August 9, 2011 at approximately 9:30 A.M. the following Board members were present: Chairman Jaffe, Members Charles Gardner, Eugene Winkler and Joseph Moore. At 9:40 A.M. on Tuesday, August 9, 2011, Chairman Jaffe called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

1. **Personnel matters;**
2. **Investigations concerning applicants and licensees;**
3. **Pending litigation, and**
3. **Closed session minutes.**

Member Moore seconded the motion. The Board approved the motion unanimously by voice vote. Member Moore moved to go into Open Session at 12:30 P.M.

The Board went into open session at 1:32 P.M. Present were the following: Chairman Jaffe, Members: Charles Gardner, and Joseph Moore. Member Winkler participated via telephone.

**APPROVAL OF MINUTES – Open Session**

Member Gardner moved that the Board approve the **open session minutes of its Regular Meeting of July 13, 2011**. Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

**BOARD POLICY ITEM –**

- 2011 Video Gaming Board Meeting Dates

Member Moore moved that **the Board approve the following dates for Video Gaming Board Meetings for the 2011 Calendar year:**

**September 19 & 20, 2011** the 19<sup>th</sup> Closed, the 20<sup>th</sup> Open

**October 27, 2011** Closed and Open

**November 7 & 8, 2011** the 7<sup>th</sup> Closed, the 8<sup>th</sup> Open

**December 5 & 6, 2011** the 5<sup>th</sup> Closed, the 6<sup>th</sup> Open

Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Proposed Rules – Disassociation

Caleb Melamed; Legislative Liaison for the IGB addressed the Board:

A proposal to add a new section to the rules on video gaming is hereby submitted for Board consideration. The new Section 330 (11 Ill. Adm. Code 1800.330) is entitled “Economic Disassociation” and applies to all licensees under the Video Gaming Act. It authorizes the Board to order the economic disassociation from a licensee of a Person With Significant Influence or Control or holder of an Ownership Interest, if the Board determines such action is warranted because of the licensee’s character, reputation, experience, associations, business probity, or financial integrity. The language of the new section parallels that of Section 224 of the Board’s rules on riverboat gambling (86 Ill. Adm. Code 3000.224), which currently authorizes the Board to order the disassociation of Key Persons of owners and suppliers licensed under the Riverboat Gambling Act.

If the Board approves the new Section, it will be filed with the Secretary of State as a proposed regular rulemaking.

Member Gardner moved that **the Board authorize staff to submit proposed rule Section 1800.330 regarding the economic disassociation of any person who, with respect to that applicant or licensee, is a Person With Significant Influence or Control or holder of an Ownership Interest, for First Notice Filing with the Secretary of State upon final review and approval by the Administrator.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

#### **CHAIRMAN’S REPORT/COMMENTS –**

The Chairman read a statement that is posted on the IGB website.

Public Notice – August 5, 2011

The Illinois Gaming Board has received multiple complaints from potential Video Gaming Licensed Locations regarding individuals posing as representatives of the Illinois Gaming Board or the Illinois Gaming Commission pressuring the locations into signing a contract with a potential Terminal Operator. The individuals claim that the location is “pre-approved” to have up to five video gaming machines, and that the location must call a phone number by a certain time that same day to ensure that the machines can be placed. Alternatively, the caller says that the location has been pre-approved and must submit an application immediately.

Please note the following:

- The Licensed Location Application has not yet been released by the Illinois Gaming Board.
- Illinois Gaming Board agents have identification, and potential Licensed Locations should ask for such if called or approached by individuals claiming to be IGB representatives.
- The Illinois Gaming Board has not and will not contact potential Licensed Locations to suggest that they need to apply for a license.
- Once the Licensed Location application is released, there is no “cut off” period within which to submit an application.

The Illinois Gaming Board urges potential Licensed Locations to thoroughly consider the decision to sign a Use Agreement with a potential Terminal Operator. As stated above, there is no time limit within which to apply for a license or sign an Agreement; thus, caution should be used when deciding which potential Terminal Operator to work with.

#### **ADMINISTRATOR’S COMMENTS –**

Administrator Ostrowski stated that many calls were received by staff pertaining to inquiries about which suppliers are on the agenda for video gaming. The Board and staff are currently investigating over 600 applications. Staff will be thorough in their investigations. The general public should review the agenda when it is released to the public.

#### **PUBLIC COMMENTARY –**

Mr. Roy Corrie was scheduled to address the Board. He approached the podium and stated that upon advice of his attorney will not speak, however, he wanted to submit a statement to the Board for their consideration, which he handed to the Board secretary.

#### **The following are the comments of Anita Bedell – Illinois Church Action on Alcohol & Addition Problems:**

Thank you for giving me the opportunity to give public comment before the board. First, I would like to thank Chairman Jaffe for publicly voicing the Illinois Gaming Board’s concerns about SB744, the massive expansion of gambling and for meeting with Governor Quinn about your opposition to this flawed bill.

I testified before the Legislative Committees in 2009 prior to passage of HB255, which legalized video gambling. I also testified before the legislative Committees this spring as an opponent of SB744, and I agree with your concerns. We have additional concerns with this flawed bill.

While the Illinois Supreme Court has ruled that the Video Gambling Act is Constitutional, we are concerned that SB744 will expedite the start of video gambling without the proper safeguards and strict regulation that are needed to protect the public and prevent organized crime from gaining a foothold.

As SB744 related to video gambling, we are concerned about Section 47 regarding Provisional Video Gambling Licenses. These Provisional Licenses would be used in retail liquor establishments, truck stops, veterans and fraternal organizations.

SB744 stipulates that the Illinois Gaming Board SHALL make video gambling applications for licensure available within 60 days after the effective date of the Act, and the Board SHALL ISSUE A PROVISIONAL LICENSE if certain requirements are met. Among these are:

1. Applicant has never been convicted of a felony. The language in this bill is flawed. Illegal video gambling has been going on for years in many communities, with no convictions. Generally, local law enforcement does not even enforce the law concerning illegal gambling, because it is not a priority to stop illegal gambling and the organization that it controls.

2. Applicant is current on all State and Federal taxes.

3. Applicant has submitted a completed application for a license-this may be submitted concurrently with the application for a provisional license. (Lawyers, hired by the companies that will reap a fortune from this new legalized form of gambling, will more than likely be available to help qualifying establishments complete these applications as soon as the bill is signed into law. This Board will be swamped with applications, and will not have enough trained staff to properly investigate all the applications in the short, 60 day time frame that legislators approved in this flawed bill.)

4. Applicant has held a liquor license since at least July, 2009, and a) not had the license REVOKED, b) provided proof of a valid charitable games license, or c) provides proof of a valid license as an agent for the Lottery. It is rare for a liquor license to be revoked in Illinois. Many liquor law violations are kept secret because bars, restaurants and liquor stores go through an Administrative Review Process where the business never admits breaking any law, they agree to pay a fee rather than a fine, and the "records are wiped clean by state officials", according to the Chicago Sun-Times. While the Administrative Review Process involves minor infractions, an alleged gambling violation could be handled in this manner "if there's never been any finding of guilt". (The Chicago-Sun Times, August 10, 1998, by Tim Novak)

5. Applicant has never been CONVICTED of a criminal gambling charge. I called the IL Liquor Control Commission to check on the status of several establishments that had misdemeanor gambling charges pending in 2004. I wanted to know if these businesses still held liquor licenses and how many of the licenses had been revoked. Rick Haymaker said that none of the licenses had been revoked-many of the businesses were no longer in operation and the licenses were not renewed. Four of these establishments are still operating and have current liquor licenses. I ask the Board to look into the criminal charges if these establishments apply for a video gaming license. We are concerned how the Board will be able to investigate all the owners of establishments. Will the owners of these former establishments re-open under a different name and be given a provisional license due to lack of time for a thorough investigation? If could take longer than 60 days for the Gaming Board to check the records for

all of the establishments, companies, and individuals applying for a provisional video gambling license.

6. Applicant furnishes results of a State and Federal background check performed by State Police, another Chicago Sun-Times article, “Feds Zero in on Video Poker Kings”, notes that “video gambling is the mob’s lifeblood, pumping millions of dollars every year into the Outfit’s coffers”. (February 20, 2005, p. 8A) One reputed top Chicago mob boss was not only controlling his criminal empire while he was in prison, but the feds believe he was expanding it. Top mobsters have been caught on secret FBI recordings welcoming the legalization of video gambling machines, according to a Feb. 7, 2010 Chicago Sun-Times article. Given the history of illegal video gambling in Illinois and the associations with organized crime, it is imperative that a more thorough investigation be conducted by the IGB rather than a simple background check, before any licenses are issued.

SB744 further states that the Board SHALL issue a provisional license within 60 days after the application has been received by the Board if the criteria have been met. That provisional license is valid for ONE YEAR, unless the board denies the application or the license is terminated for a violation. If the Board still has not acted, within 60 days after the expiration of a provisional license, the applicant may apply for a renewal for another year. Once a provisional license is given out, it will be extremely difficult to take it away. This could result in years of litigation and tremendous cost to the State. How many staff, outside lawyers, and money are needed just for this effort alone? This is another problem with this flawed bill.

When the Illinois General Assembly debated the video gambling act in 2009, the sponsors assured the Legislators and the public that the Illinois Gaming Board would strictly regulate video gambling. They repeatedly made the point that by legalizing video gambling, the public could be assured that everything was being done properly. Yet, when the Illinois Gaming Board passed a rule that would disqualify some establishments for illegal gambling, the Legislature passed another law saying only those establishments CONVICTED of a criminal gambling charge would be ineligible.

This year, the Legislature quickly passed another flawed bill SB744 that expedites the process for the Board to begin video gambling so the State can get the revenue. Legislators praise the Gaming Board when they want to expand gambling, and then they criticize the Board when they work to ensure the integrity and safety of gambling.

This is similar to what happened 12 years ago when the Legislature passed a gambling expansion bill in May, 1999 a provision was included for the relocation of the 10<sup>th</sup> casino license for Rosemont, “the Board SHALL grant the application and approval upon receipt by the licensee of approval from the new municipality or county, as the case may be, in which the licensee wishes to locate”. In spite of Legislative language and politicians criticizing them for their thoroughness, the Gaming Board did their due diligence, found associations with organized crime, and acted to protect the public.

The Illinois Gaming Board is charged with ensuring “public confidence and trust in the credibility and integrity of gambling operations and the regulatory process.” Former Gaming

Board Administrator Sergio Acosta wrote an op-ed piece for the Chicago Tribune and said, “Understaffed regulators forced to work on unrealistic deadlines while fighting off political interference will diminish public confidence and create fertile ground for crime and corruption.”

We are concerned that illegal gambling continues because of the change in legislation that allows establishments to keep their machines until the new ones come on-line. Many people are under the false impression that these machines are legal because no machines were removed. Who will be charged with enforcing the video gambling act in thousands of locations statewide, this Board, local law enforcement? Who will pay for the cost of enforcement for this flawed legislation?

While politicians who helped pass the legislation and those who will profit from gambling are anxious to see the Video gaming Act implemented very quickly, this Board must continue to take the time that is needed to draft rules to strictly regulate video gambling and to thoroughly investigate all individuals, businesses, and companies before issuing any video gambling licenses. We support your efforts to inform the public about the demands being placed on the Board and ask for statewide public hearings on ALL proposed rules. We ask that the Board consider a method to accept and encourage written public comment as not everyone can travel to Chicago for a meeting.

Thank you for your time. I can assure you that when we meet with Governor Quinn, we will ask him to Veto SB744.

Member Gardner questioned Ms. Bedell in her comment where she stated “it is imperative that a more thorough investigation be conducted by the IGB rather than a simple background check before any licenses are issued”. Member Gardner asked “You don’t mean that all applicants should be investigated before any licenses are issued, you mean that after each applicant is thoroughly investigated then that applicant may be licensed”. Ms. Bedell stated that is exactly what she meant.

#### **OWNER LICENSEE ITEMS-**

- Items for Consideration –

- Aristocrat Technologies, Inc. – New Licensee

Based on a review of staff’s investigation and recommendation, Member Moore moved that **the Board approve Aristocrat Technologies, Inc., for Manufacturer and Distributor Licenses effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- American Vending Sales, Inc. – New Licensee

Based on a review of staff’s investigation and recommendation, Member Moore moved that **the Board approve American Vending Sales, Inc., for a Distributor’s License, effective August 9, 2011 for a period of one (1) year,**

**expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Bally Gaming, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Bally Gaming, Inc., for Manufacturer, Distributor and Supplier Licenses effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Elite Casino Products, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Elite Casino Products, Inc., for Manufacturer and Distributor Licenses, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- H. Betti Industries, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve H. Betti, Inc., for a Distributor License, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

- International Game Technology – New Licensee

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve International Game Technology, for Manufacturer and Distributor Licenses, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

- Incredible Technologies, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve Incredible Technologies, Inc., for Manufacturer and Distributor Licenses, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

- JCM American Corporation – New Licensee

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve JCM American Corporation, for a Supplier License, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Moss Gaming, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Moss Gaming, Inc., for a Distributor License, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- MTD Gaming, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve MTD Gaming, Inc., for Manufacturer and Distributor Licenses, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- WMS Gaming, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve WMS Gaming, Inc., for Manufacturer and Distributor Licenses, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

- Happ Illinois Distribution, Inc. – New Licensee

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve Happ Illinois Distribution, Inc., for a Distributor License, effective August 9, 2011 for a period of one (1) year, expiring in August, 2012.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

- American Gaming & Electronics – New Licensee

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve American Gaming & Electronics, for a Distributor License, effective August 9, 2011 for a period of one (1) year,**



**expiring in August, 2012.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

At 2:17 P.M. Member Winkler motioned to adjourn and Member Moore seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta  
Secretary to the Administrator